

# Human Resources Audit

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## **Executive Summary**

This report examines and evaluates the Human Resources (HR) internal controls in place. Some of these internal controls reviewed by IAD include the hiring process, the verification of academic or professional accreditations, and the maintenance of personnel data. The Internal Audit Division's (IAD) objective is to ensure the City is adhering to laws and regulations while reducing risk and liability.

HR is responsible for maintaining the HR policies and procedures (HRP&P), which provide employees and supervisors with a source of information regarding city policies, benefits and regulations. IAD found that the HRP&P need to be revised and updated, and it is recommended that all employees sign an acknowledgement form, preferably on-line, each year to ensure they read and understand the policies.

HR is decentralized and therefore most HR functions are managed by the individual departments. As part of the audit process IAD met with eight department HR liaisons and found that there is little consistency throughout the City on how HR is managed. Further, more oversight by HR is needed along with audits by HR to ensure the departments are adhering to city rules and regulations.

IAD found that the Cincinnati Human Resources Information System (CHRIS) is not used citywide and is not utilized to its full potential. Given the current budget restraints and staffing levels, CHRIS should be utilized more effectively. Accurate tracking via CHRIS will facilitate in identifying deficiencies quickly and allow HR to rectify the situation via automated e-mails.

HR is responsible for maintaining copies of financial disclosure forms for those individuals required to file each year. IAD found that HR is not ensuring all forms are submitted, and discovered approximately a dozen required individuals who did not file for 2010 and 2011.

## **I. Introduction**

### **Background**

The City of Cincinnati's HR department serves almost 6,000 employees with a full array of employment and personnel services. The HR mission statement is "to continuously earn the trust and respect of Cincinnati citizens and employees through the excellent delivery of personnel services."

The HR functions are decentralized and conducted within the departments. Each department has at least one person at the Administrative Specialist level or above designated as the HR liaison. The HR liaison is responsible for all HR personnel issues.

The HR website continues to grow with a variety of information to assist employees on personnel matters. The website includes online applications, job bulletins, employee benefits, HRP&P, and class specifications, to name a few.

## **Audit Scope and Methodology**

IAD reviewed and evaluated the HR internal controls in place. Some of these internal controls reviewed by IAD include the hiring process, the verification of academic or professional accreditations, and the maintenance of personnel data. IAD's objective is to ensure the City is adhering to laws and regulations while reducing risk and liability.

Audit methodology consisted of personnel interviews, review of HRP&P, review of management reports, review of HR files, and evaluation of internal controls.

IAD conducted fieldwork for the audit from September 2011 to November 2011.

## **II. Findings and Recommendations**

### **Human Resources Policies and Procedures**

IAD started the audit process by reviewing the HRP&P. The purpose of the HRP&P is to provide employees and supervisors with a source of information regarding city policies, benefits and regulations.

For each audit, IAD analyzes policies and procedures to ensure they are adequate, detailed and current. For this audit IAD reviewed the HRP&P and concentrated on chapter 1: How to Fill a Position and chapter 2: Conditions of Employment, and found that it needs to be revised and updated to include all required rules and regulations that the City has regarding employment.

The following are three examples of issues that IAD found with the policies: a new hire checklist that contains the requirements departments should maintain on new employees should be included. The section on residency requirement is not the same as the Administrative Code No. 44 revised 6/10/11 which states that the City Manager, Assistant City Managers, and Department Directors shall reside within the City of Cincinnati. Finally, there is not a section on background checks detailing how and when the departments should be conducting them.

**Recommendation 1:** HR should revise the HRP&P to include detailed descriptions on all HR functions. In addition, HR should work with ETS to have an electronic form employees can digitally sign; therefore verifying the employee has received, has read and understood the policies. This electronic audit trail will allow the City to initiate quarterly audits and actively pursue compliance.

**Department Response:** *The Human Resources Department agrees with the recommendation to define what encompasses the HR function. The Human Resources function will be determined and identified through the organizational structure to ensure all stakeholders have a clear understanding of the roles and responsibilities of the Human Resources Department.*

*The Human Resources Department will work with ETS to identify an electronic mechanism to ensure employee acknowledgment of organizational HR Policies and Procedures.*

### Decentralized Human Resources

The City of Cincinnati has a decentralized HR; therefore, most HR functions are completed by department employees. As part of the audit IAD met with eight HR liaisons at different departments to discuss various areas of HR from the hiring process, background checks, training, performance reviews, and entering data into CHRIS. IAD found that there is little consistency in HR practices throughout the City. Further, HR does not conduct audits to ensure the departments are following applicable rules and regulations.

**Recommendation 2:** HR should conduct an extensive review of the departments to understand how HR practices are managed, and determine if any of the processes developed by the HR liaisons should be implemented citywide. In addition, HR should conduct periodic audits of the HR sections to ensure all files are maintained and updated and they are adhering to all rules and regulations.

**Department Response:** *The HR Department agrees with the recommendation and an assessment will be conducted along with working with HR liaisons to develop an organizationally aligned HR shared service model. This will allow for consistency across the organization along with a clear identification of roles and responsibilities.*

One aspect of HR that is centralized is that the department is responsible for obtaining applications for open positions and verifying that the candidates meet the minimum qualifications. During this process they also confirm that transcripts are genuine; however, IAD was informed that HR does not contact the university to ensure authenticity.

After verifying the minimum qualifications for the position are met, a copy of the application is forwarded to the department.

**Recommendation 3:** HR should require an official transcript in a sealed envelope from the university or contact the university to ensure authenticity.

**Department Response:** *The HR Department disagrees with this recommendation. In requiring an official transcript the following factors must be considered: 1) cost associated for the purchase of transcripts and the impact on applicants; 2) university/college timelines for the submission of information and potential delays; and 3) operational impact on extending the hiring timelines. Based upon this information, we believe requiring an official transcript unless necessary will not be a cost benefit or enhance operational efficiency and effectiveness. However, the HR Department currently has the flexibility to require any applicant, if needed, to submit an official transcript and we will review the possibility of adding a disclaimer to the educational portion of the application for validation purposes. Also, we will identify any mandated positions that require specific licensure and/or certification to ensure proper receipt and maintenance within the department.*

Once the department receives all the applications from HR they can review and interview potential candidates. This is usually done by the HR liaison; however, if the department is small the interview may be conducted by a supervisor. IAD found that HR does not properly train

personnel throughout the City on interviewing techniques and hiring of employees. This could potentially be a liability if the process is not conducted per the required laws and regulations.

**Recommendation 4:** HR should provide training courses on the hiring process to teach employees the laws and regulations on how to interview.

**Department Response:** *The HR Department agrees with this recommendation. The Human Resources Department is currently having conversations on the purchasing of an eLearning software package to allow information to be cascaded across the organization based on our limited people resources within the Department. Also, we will be assessing our website in the near future to ensure we have a broader range of informational feeds for the City of Cincinnati employees.*

### Background Checks

The loss and liability risks to employers that fail to conduct background checks have never been greater. By helping employers hire and promote the most qualified people, background checks help reduce turnover, employee theft, and the threat of workplace violence. They also afford protection from lawsuits related to negligent hiring. There are different types of background checks an employer can conduct on a potential candidate such as criminal, social security, employment history, education, professional license, credit history and motor vehicle record checks.

The City's HRP&P does not have a section on conducting background checks on employees. However, IAD met with HR management and learned that they are currently working on language to be included in the policies.

IAD was informed that the City requires a Hamilton County background check be conducted on all new employees. This check is free of charge; however, it only reports any convictions that occurred in the county. IAD inquired with HR management if the county background checks are being done on all new employees as required, and found that management has no evidence this is occurring. In addition, IAD found that HR does not have a policy on conducting background checks on employees who transfer after being hired with the City.

IAD met with the department HR liaisons and found no consistency on what background checks are conducted and when. Some departments contract with outside vendors to have the checks done, while others use the FBI. Further, background checks cost per check and with budget restraints in recent years, this added cost has been difficult for most departments to incur.

IAD found that per Rule 15: Sensitive Classifications/Positions in the Commission Rules, there are certain positions that require a background check if they meet the criteria of being sensitive in nature. IAD obtained the list of positions, which was dated 1990, and needs to be updated. For example, Internal Auditor is not on the list and should be because of access to sensitive data. Further, HR should specify the type of background check that is required to be conducted on the sensitive positions.

IAD was informed that in 2010 there was a City Council motion in support of fair hiring that has been implemented and includes the following:

1. Questions concerning prior convictions will be removed from the City's employment application. A statement on the application form will describe when criminal background checks are conducted.
2. Criminal background checks will be conducted only after a department has determined that the applicant is qualified, and is prepared to make an offer of employment.
3. The responsibility for evaluating criminal background checks will be reviewed by individual departments and the Human Resources Department for final determination and lawful compliance.

**Recommendation 5:** HR should include a section on conducting employee background checks in the HRP&P. The policy should state how, what type, and when the departments should conduct them. In addition, the latest ruling on fair hiring practices should be included, and clearly communicated to the department HR liaisons. Further, Rule 15 in the Commission Rules needs to be updated.

**Department Response:** *The HR Department agrees with this recommendation. We are currently working on updating the Policies and Procedures associated with background check requirements.*

**Recommendation 6:** HR should ensure all newly hired employees and employees who transfer internally are receiving the required background checks.

**Department Response:** *The HR Department agrees with this recommendation. The HR Department will develop a process that will focus on ensuring: 1) all classifications requiring background checks are identified; 2) the on-boarding system includes a mechanism and/or venue for background checks; and 3) random audits are conducted to ensure departmental compliance.*

**Recommendation 7:** HR should review and analyze the cost of obtaining a contract with a company who conducts regional or national background checks. Although the Hamilton County background check is free, only convictions in the county are reported. A regional or national check would reduce negligent hiring and reduce the liability risk for the City.

**Department Response:** *The HR Department agrees with this recommendation. The HR Department will conduct research on the purchasing of the BCI/FBI software to maintain better control of the background process, but also, to develop a system whereby local agencies can contract with the City for background checks.*

IAD also inquired about background checks on temporary employees and contractors, because some positions have access to sensitive information. IAD was informed that it is not automatically done on employees hired through contract or temp agencies.

**Recommendation 8:** HR should work with the Purchasing Division to change the language in the contracts with temp agencies to require background checks. Furthermore, the temp agency

should provide a copy of the background check that can be filed with the City upon hiring the individual. In addition, background checks should be done on contractors as well.

**Department Response:** *The HR Department disagrees with this recommendation in part. Background checks on temp employees and contractors should only be conducted when the potential for access to sensitive information exist or the nature of the work requires such a review.*

#### Cincinnati Human Resources Information System (CHRIS)

CHRIS is an oracle software database used to maintain personnel information and payroll data. The database has a variety of tables where HR data, such as employee addresses, driver license information, professional certifications, training, etc. can be entered. However, CHRIS is not being utilized to its full potential. The department HR liaisons are not entering the data into CHRIS, because staffing levels are low and they do not have the time, or because the department chooses to maintain a separate file outside of CHRIS. The data, therefore, is unreliable and incomplete, and HR can not properly analyze the data and ensure all employees are adhering to the required rules and regulations.

**Recommendation 9:** Given the current budget restraints and staffing levels it is the recommendation of IAD that CHRIS be utilized more effectively. Accurate tracking via CHRIS will facilitate in identifying deficiencies quickly and allow HR to rectify the situation via automated e-mails.

**Department Response:** *The HR Department agrees with this recommendation. We are currently conducting an assessment of the technological needs within the Department. It is our goal to develop a technology plan that will begin to infuse employee self-serve across the organization.*

#### Driver License and Professional Certifications

A valid driver license is required for a number of positions in the City. For employees that drive city vehicles, the importance of having a valid license is extremely high, and could be a huge liability if an accident were to occur while the employee had a suspended or invalid license. The HRP&P does not have a section on driver license data, and it is not a requirement for the departments to enter the data into CHRIS. IAD found that there is no consistency throughout the City on how driver license data is maintained, and data entered into CHRIS is not always current.

**Recommendation 10:** HR should require all departments to enter in driver license data into CHRIS and update it as needed.

Additionally, there is a section in CHRIS to enter professional certification information, but it is also not being used uniformly throughout the City. However, IAD found that in most instances the state of Ohio ensures professional certifications are maintained by the individuals. For example, all doctors, dentists, and pharmacists are required to have continuing education to maintain their certification, and the State audits these professionals to ensure they meet the



requirements. Similarly, the EPA audits plant supervisors for the Metropolitan Sewer District (MSD) and the Greater Cincinnati Water Works (GCWW) to verify they are maintaining their qualifications.

**Recommendation 11:** HR should require all professional certification data be entered into CHRIS to ensure employees are maintaining the required credentials.

### Performance Reviews

A performance review is a tool to measure, evaluate, reinforce and/or improve the employee's job performance. It also informs the employee if they have been successful in meeting their goals and objectives. For the employee, the review provides feedback on the supervisor's expectations, and where any areas of strength and weakness are. Overall the review is documentation of the employee's performance, and if the City is having issues with an employee all concerns should be documented and discussed with the individual as they occur. It is a potential liability to the City if the reviews are not occurring on a yearly basis as required.

IAD found that throughout the City performance reviews are not given to employees on a timely basis, if at all. HR management informed IAD that one reason performance reviews are not given is because the employee has reached the top step of the pay grade, and the supervisor does not give one. Further, HR only learns that an employee has not received a performance review when the employee wants to take a promotional exam or transfer.

**Recommendation 12:** HR should require all employees have yearly performance reviews and generate reports in CHRIS to monitor the departments to ensure all employees are receiving their annual review. In addition, supervisors should be held accountable for ensuring all reviews are given on time. The review process should not be used solely for the purpose of determining merit increases.

**Department Response for Recommendations 10, 11, and 12:** *The HR Department agrees with the recommendations for each item listed above. The Human Resources team will map out a strategy that can be cascaded across all departments for the entering and tracking of this information. In addition, the HR Department will conduct random audits to ensure departmental compliance, which will begin to infuse accountability across the organization.*

### Training

Training is another area in HR that needs improvement because employees are not receiving the training they are required. The Human Resource Development Academy (HRDA) 2011 training schedule is located on the HR website. There are 3 tiers of courses. Tier 1 courses are required and HR recommends refreshing required courses every 2 or 3 years. Tier 2 courses are the professional development courses that are recommended but not required, and tier 3 courses are enrichment and personal development courses that count toward training credit yet are taken on the employee's time.

Budget restraints and staffing levels restrict HR from conducting the training they would like employees to receive. Currently HR has one individual who is responsible for training all employees, and it has become too cumbersome for one person to manage. Further, departments ignore the required HR training courses and some departments conduct training internally; however, the departments are not entering into CHRIS the training that was received. Therefore, HR is unable to run CHRIS reports to determine who needs what training.

**Recommendation 13:** HR should ensure all department HR liaisons fully understand what training is required for employees, and all courses should be entered into CHRIS to verify employees are receiving the proper training.

**Department Response:** *The HR Department agrees with this recommendation. The Human Resources team members are currently having discussions on the development of a strategic training plan that will include identifying professional development needs from a classification, department, and organizational perspective. However, this work will require an assessment of current resources for possible realignment or additions.*

The new employee orientation is required for all new hires in the City. IAD obtained an acknowledgement form that lists the training that was received during the orientation. The employee is required to sign after each description of the policy that they have been trained and understand what they have been trained on. The five policies are sexual harassment, workplace violence, substance abuse, social media and Ohio ethics. However, the Ohio ethics policy does not have a description and or a signature line.

**Recommendation 14:** HR should revise the new hire acknowledgement form to include a description for ethics and a signature line.

**Department Response:** *The HR Department agrees with this recommendation. The Human Resources Department has adjusted the employee acknowledgment form for the new hire orientation program to include a description of the Ohio Ethics provisions.*

#### Financial Disclosure Form

Ordinance No. 370-1989 enacted by City Council on September 20, 1989 required that certain public officials or employees file an annual financial disclosure statement. A list of the classifications, which includes division heads or higher, that are required to file is located in Administrative Regulation No. 32. Original forms are to be filed with the Clerk of Council and all copies are to be filed in HR. Failure to comply with the filing requirements shall be cause for disciplinary action, and deliberate falsification or omission shall be grounds for criminal prosecution under the Ohio Revised Code.

IAD found that HR is not tracking and ensuring all required disclosure forms are submitted and on file. IAD reviewed all forms on file in HR for 2010 and 2011 and found approximately a dozen employees each year who were required to submit the form that did not.

**Recommendation 15:** HR should maintain a spreadsheet of all public officials and employees who are required to complete the financial disclosure form and ensure all copies are on file as required.

**Department Response:** *The HR Department agrees with this recommendation. The Human Resources Department will identify all public officials and employees required to complete an annual financial disclosure and will maintain a centralized electronic copy of the completed information.*

**Recommendation 16:** The Administrative Regulation No. 32 should be amended to have one department be responsible for collecting, reviewing and maintaining financial disclosure statements.

**Department Response:** *The HR Department agrees with this recommendation. The Human Resources Department will work with the City Managers' Office to revise Administrative Regulation No. 32 to create a centralized owner of the financial disclosure information.*

### **III. Response from Human Resources**

March 28, 2012

**To:** Lauren Sundararajan, Interim Internal Auditor  
**From:** Georgetta Kelly, Director of Human Resources *JK*  
**Copies to:** L. Berning  
**Subject:** Internal Audit Report

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This document is to address the Human Resources (HR) Audit findings/recommendations identified during the September through November 2011 audit engagement.

**Recommendation 1:** HR should revise the HRP&P to include detailed descriptions on all HR functions. In addition, HR will work with ETS to have an electronic form employees can digitally sign; therefore verifying the employee has received, has read and understood the policies. This electronic audit trail will allow the City to initiate quarterly audits and actively pursue compliance.

**HR Response:** The Human Resources Department agrees with the recommendation to define what encompasses the HR function. The Human Resources function will be determined and identified through the organizational structure to ensure all stakeholders have a clear understanding of the roles and responsibilities of the Human Resources Department.

The Human Resources Department will work with ETS to identify an electronic mechanism to ensure employee acknowledgment of organizational HR Policies and Procedures.

**Recommendation 2:** HR should conduct an extensive review of the departments to understand how HR practices are managed, and determine if any of the processes developed by the HR liaisons should be implemented citywide. In addition, HR should conduct periodic audits of the HR sections to ensure all files are maintained and updated and they are adhering to all rules and regulations.

**HR Response:** The HR Department agrees with the recommendation and an assessment will be conducted along with working with HR liaisons to develop an organizationally aligned HR shared service model. This will allow for consistency across the organization along with a clear identification of roles and responsibilities.

**Recommendation 3:** HR should require an official transcript in a sealed envelope from the university or contact the university to ensure authenticity.

**HR Response:** The HR Department disagrees with this recommendation. In requiring an official transcript the following factors must be considered: 1) cost associated for the purchase of transcripts and the impact on applicants; 2) university/college timelines for the submission of information and potential delays; and 3) operational impact on

extending the hiring timelines. Based upon this information, we believe requiring an official transcript unless necessary will not be a cost benefit or enhance operational efficiency and effectiveness. However, the HR Department currently has the flexibility to require any applicant, if needed, to submit an official transcript and we will review the possibility of adding a disclaimer to the educational portion of the application for validation purposes. Also, we will identify any mandated positions that require specific licensure and/or certification to ensure proper receipt and maintenance within the department.

**Recommendation 4:** HR should provide training courses on the hiring process to teach employees the laws and regulations on how to interview.

**HR Response:** The HR Department agrees with this recommendation. The Human Resources Department is currently having conversations on the purchasing of an eLearning software package to allow information to be cascaded across the organization based on our limited people resources within the Department. Also, we will be assessing our website in the near future to ensure we have a broader range of informational feeds for the City of Cincinnati employees.

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**HR Response:** The HR Department agrees with this recommendation. We are currently working on updating the Policies and Procedures associated with background check requirements.

**Recommendation 6:** HR should ensure all newly hired employees and employees who transfer internally are receiving the required background checks.

**HR Response:** The HR Department agrees with this recommendation. The HR Department will develop a process that will focus on ensuring: 1) all classifications requiring background checks are identified; 2) the on-boarding system includes a mechanism and/or venue for background checks; and 3) random audits are conducted to ensure departmental compliance.

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**HR Response:** The HR Department agrees with this recommendation. The HR Department will conduct research on the purchasing of the BCI/FBI software to maintain better control of the background process, but also, to develop a system whereby local agencies can contract with the City for background checks.

**Recommendation 8:** HR should work with the Purchasing Division to change the language in the contracts with temp agencies to require background checks. Furthermore, the temp agency should provide a copy of the background check that can be filed with the City upon hiring the individual. In addition, background checks should be done on contractors as well.

**HR Response:** The HR Department disagrees with this recommendation in part. Background checks on temp employees and contractors should only be conducted when the potential for access to sensitive information exist or the nature of the work requires such a review.

**Recommendation 9:** Given the current budget restraints and staffing levels it is the recommendation of IAD that CHRIS be utilized more effectively. Accurate tracking via CHRIS will facilitate in identifying deficiencies quickly and allow HR to rectify the situation via automated e-mails.

**HR Response:** The HR Department agrees with this recommendation. We are currently conducting an assessment of the technological needs within the Department. It is our goal to develop a technology plan that will begin to infuse employee self-serve across the organization.

**Recommendation 10, 11, and 12:** HR should require all departments to enter in driver license, professional certification, and performance reviews data into CHRIS and update it as needed.

**HR Response:** The HR Department agrees with the recommendations for each item listed above. The Human Resources team will map out a strategy that can be cascaded across all departments for the entering and tracking of this information. In addition, the HR Department will conduct random audits to ensure departmental compliance, which will begin to infuse accountability across the organization.

**Recommendation 13:** HR should ensure all department HR liaisons fully understand what training is required for employees, and all courses should be entered into CHRIS to verify employees are receiving the proper training.

**HR Response:** The HR Department agrees with this recommendation. The Human Resources team members are currently having discussions on the development of a strategic training plan that will include identifying professional development needs from a classification, department, and organizational perspective. However, this work will require an assessment of current resources for possible realignment or additions.

**Recommendation 14:** HR should revise the new hire acknowledgement form to include a description for ethics and a signature line.

**HR Response:** The HR Department agrees with this recommendation. The Human Resources Department has adjusted the employee acknowledgment form for the new hire orientation program to include a description of the Ohio Ethics provisions.

**Recommendation 15:** HR should maintain a spreadsheet of all public officials and employees who are required to complete the financial disclosure form and ensure all copies are on file as required.

**HR Response:** The HR Department agrees with this recommendation. The Human Resources Department will identify all public officials and employees required to complete an annual financial disclosure and will maintain a centralized electronic copy of the completed information.

**Recommendation 16:** The Administrative Regulation No. 32 should be amended to have one department be responsible for collecting, reviewing and maintaining financial disclosure statements.

**HR Response:** The HR Department agrees with this recommendation. The Human Resources Department will work with the City Managers' Office to revise Administrative Regulation No. 32 to create a centralized owner of the financial disclosure information.

The Human Resources Department will begin to map out a strategy for completion of open items. Please let me know if you have any additional questions. Thank you

c: HR File